LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7072
BILL NUMBER: SB 309

NOTE PREPARED: Feb 25, 2010
BILL AMENDED: Feb 24, 2010

SUBJECT: Education Matters.

FIRST AUTHOR: Sen. Alting
FIRST SPONSOR: Rep. Porter

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Youth Advisory Council:* The bill transfers supervision of the Youth Advisory Council (Council) to the Indiana Bar Foundation's Center for Civic Education. It changes the age of eligibility to be a Council member and staggers terms. The bill permits an appointed member to be removed for cause. The bill also provides that a member who attends a meeting of the Council has a lawful excuse to be absent from school. It establishes the Youth Advisory Council Fund.

Health Insurance: The bill prohibits, for one year, a school corporation from paying any part of the costs of group health insurance provided to a board member.

The bill exempts a school corporation that elects to use a state health care plan to provide health insurance coverage from providing health care coverage to individuals retired from the school corporation before July 1, 2010, unless contractual commitments impose a duty on the school corporation to provide group health insurance to these retired individuals.

School Fiscal Year Budgeting: The bill replaces the requirement that school corporations budget on a school year basis with a provision permitting a school corporation to elect whether to budget on a calendar year or school year basis.

Transfers: The bill allows the governing body of a school corporation to adopt a resolution to transfer money for 2010 and 2011, among funds maintained by a school corporation, except to or from the debt service fund, and certifying that the money transferred will be used solely to avoid school employee layoffs and to protect instructional programs. It limits the amount that can be transferred to the amount the school corporation's state tuition support is reduced for 2010 and 2011.

New Facility Transfer: The bill allows certain school corporations to appeal to the Department of Local Government Finance (DLGF) to make an additional transfer in 2010 to fund the operation of a new facility.

Special State Supplemental Tuition Support Distribution: The bill provides for a Special State Supplemental Tuition Support Distribution to school corporations, not to exceed $150,000,000, if revenues collected by the state exceed forecasted levels.

Negative Political Advertisement: The bill imposes a fee on negative political advertisements aired over a broadcast, cable, or satellite medium. It dedicates the revenue from the fees to reading remediation programs in certain kindergarten, Grade 1, and Grade 2 classes.

School Employer Retirement Contributions: The bill limits, for two years, the employer's contribution rate that school corporations must pay to the public pension funds covering teachers and other employees.

School Formula Study Committee: The bill requires the Interim Study Committee on the School Funding Formula to study the cost and student achievement benefits of calculating the minimum required school year in minutes rather than days.

The bill also makes an appropriation.

Effective Date: (Amended) January 1, 2010 (retroactive); upon passage; July 1, 2010.

Explanation of State Expenditures: (Revised) *School Formula Study Committee*: The bill requires the Study Committee on the School Formula to study whether it is more cost efficient and academically effective to permit schools to measure the minimum required school year in terms of minutes instead of days. The study would be within the budget for the study committee.

(Revised) *Youth Advisory Council:* The bill provides that the Council consists of 22 members between the ages of 16 and 20 years of age. The current age requirements are 14 to 18. It clarifies that attendance at the council meetings is an excused absence. The Council is currently staffed by the Department of Education (DOE), and the bill changes the administration support of the Council to the Indiana Bar Foundation's Center for Civic Education. The bill establishes a dedicated, nonreverting Youth Advisory Council Fund. Money in the Fund is to pay for the administration of the Fund and supplement the activities of the Council. The bill repeals the expiration date of Council, which was June 30, 2012. Currently, the administrative expenses of the Council are paid from appropriations to DOE.

(Revised) *Special State Supplemental Tuition Support Distribution:* The fiscal impact could be to increase state General Fund expenditures for local schools by a maximum of $150 M over the next three years if revenues exceed the December forecast for the Budget Committee. On or before July 15, 2010, July 15, 2011, and July 15, 2012, the Budget Agency is to determine whether revenue for FY 2010, FY 2011, and FY 2012, respectively, exceed the preceding year's revenue forecasts. 100% of the excess is to be used to increase the foundation amount for each school corporation eligible for tuition support, with the exception of charter schools. If the revenue does not exceed the forecast, then no additional funds would be distributed.

(Revised) *Negative Political Advertisement*: The bill requires the Department of State Revenue to administer the collection of fees for negative political advertisements. The bill's requirements represent an additional workload and/or expenditure on the agency outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Explanation of State Revenues: (Revised) *School Employer Retirement Contributions:* The bill establishes the contribution rates for members of the 1996 Teachers' Retirement Fund (TRF) and Public Employees' Retirement Fund (PERF) at a maximum of 7% until January 1, 2012. The contribution rate was to increase to 7.5% on July 1, 2010, for TRF. The contribution rates are determined by school corporation for PERF. The deferral in revenue to TRF is about $17.3 M for the 18-month period ending December 31, 2011.

The deferral in revenue to PERF is estimated at approximately $21 M for the two-year period. This will result in increased contributions after December 31, 2011. This affects approximately 227 school corporations with members in PERF.

(Revised) *Negative Political Advertisement:* The bill would establish a fee of $50 each time a negative political advertisement is aired over public communication. The fee is to be deposited into a separate account in the Tuition Reserve Fund and used to provide remediation to students in kindergarten, 1st grade, and 2nd grade who have a substantial deficiency in reading. The amount of the revenue that might be generated is unknown.

Explanation of Local Expenditures: *Transfers:* Schools are required to report to the Department of Education within three months after the end of the year. The information is to include:
1. The purpose of the transfer.
2. The funds involved in the transfer.
3. The amount transferred between the funds.
4. The impact of the transfer to the programs that were supported by the fund from which the transfer is made.

Any increase in expenditures is probably minor.

(Revised) *School Fiscal Year Budgeting:* The bill allows schools to budget on a fiscal year cycle or continue on a calendar year basis. (Under current law, schools would be required to start fiscal year budgeting on June 30, 2011.) The provision could result in a minor reduction in school administrative expenses.

(Revised) *Health Insurance:* The bill would allow schools that elect the state health insurance plan to decide if they wish to include an individual who retired before July 1, 2010. The provision might allow some schools to elect the state health insurance plan that might not be able due to contractual commitments for retirees. The provision should be a savings to schools.

The bill requires school board members to pay the entire cost of their health insurance if they are on the school corporation health plan. In 2008, there were about 67 schools that offered health insurance to board members. The provision would be a reduction in school expenditures. It is unknown what the savings might be to individual school districts.

Skilled Trade Employees: Currently, some schools can pay the salaries of skilled trade employees from their Capital Projects Fund if the salaries of the employees are greater than $600,000. The bill would allow all schools to pay the salaries of their skilled trades employees from the CPF. The impact would depend on the number of schools that hire skilled trade employees. The General Fund Expenditures for skilled trade employees for six schools in CY 2009 was about $750,000 and about $250,000 for three schools in CY 2008.

The amount could increase if more schools hired skilled trade employees.

Maintenance Vehicles: Currently, maintenance vehicles have to be purchased from the school General Fund. The bill would allow schools to purchase maintenance vehicles from their CPF. About 21 schools spent about $825,000 to purchase maintenance vehicles in CY 2009 and 30 schools spent about $920,000 in CY 2008.

(Revised) *School Employer Retirement Contributions:* The bill establishes the employer pension contributions at 7% until January 1, 2012, for members of the 1996 Teachers Retirement Fund and of PERF. (The contribution rate was to increase to 7.5% on July 1, 2010, for TRF.) The temporary reduction in employer contributions represent a deferral of contributions until after December 31, 2011. The deferrals of contributions by local schools for the TRF contributions is about $17.3 M for the last half of CY 2010 and all of CY 2011. The deferral for PERF is estimated at $21 M for the two-year period.

Explanation of Local Revenues: *Transfers:* The bill allows school corporations to transfer funds among the following funds (CY 2008 year-ending cash balances are included).

1. General Fund, $594.0 M.
2. School Transportation Fund, $138.1 M.
3. School Bus Replacement Fund, $51.7 M.
4. Capital Projects Fund, $390.0 M.
5. Levy Excess Fund, $7.8 M.
6. Repair and Replacement Fund, $2.7 M.
7. Self-insurance Fund, $262.5 M.
8. School Technology Fund, $17.5 M.

To be able to transfer funds, the school must develop policies to avoid school employee layoffs and to protect instructional programs for the 2010-2011 school year. The maximum amount of the transfer for any school equals the amount of the state reduction in the school's tuition support for 2010 and 2011. The impact would depend on the number of schools that would qualify for the transfer. The maximum possible transfers are about $298 M. The transferred funds have to be used to avoid school employee layoffs and protect instructional programs.

New Facility Transfer: A school would also be able to make a transfer in addition to the above transfers if they had held a hearing for a new facility appeal for CY 2010 but were unable to apply for the appeal because the appeal was repealed by the 2009 General Assembly. It is unknown the amount of the new facility appeals schools planned on filing but were unable to file. The new facility appeals annually in the past have varied between $5 M -13 M.

State Agencies Affected: DOE; Budget Agency

Local Agencies Affected: Schools.

Information Sources: DOE databases

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